

Message Text

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PAGE 01 SAN JO 02903 231439Z
ACTION ARA-14

INFO OCT-01 EUR-12 ISO-00 OPIC-03 INT-05 EB-07 FEA-01
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FM AMEMBASSY SAN JOSE
TO SECSTATE WASHDC 7876
INFO AMEMBASSY BUCHAREST

LIMITED OFFICIAL USE SAN JOSE 2903

E.O. 11652: N/A
TAGS: EMIN, CS
SUBJECT: DEVELOPMENT OF BAUXITE URGED

1. TEDORO QUIROS, WHO IS COSTA RICA'S AMBASSADOR TO RUMANIA, HAS EMBARKED ON A PUBLICITY CAMPAIGN TO PROMOTE DEVELOPMENT OF COSTA RICA'S BUAXITE DEPOSITS. THE CAMPAIGN APPEARS TO BE DESIGNED TO GAIN SUPPORT FOR APPROVAL BY THE COSTA RICAN GOVERNMENT OF A FORMAL OFFER THAT HAS NOW BEEN RECEIVED FROM THE RUMANIAN GOVERNMENT TO DO A FEASIBILITY STUDY OF A PROJECT FOR PRODUCING BAUXITE. QUIROS SAYS THAT THE COSTA RICAN POSITION WILL BE ADOPTED WITHIN ONE MONTH WITH THE PARTICIPATION OF THE NATIONAL ALUMINUM COMMISSION, AND THAT THE AGREEMENT WILL BE SIGNED IN BUCHAREST BY A COSTA RICAN MISSION TO BE HEADED BY GASTON KOGAN, PRESIDENT OF THE GOVERNMENT'S OIL REFINERY.

2. QUIROS STATES THAT COSTA RICAN COULD EARN MORE FROM ALUMINUM THAN IT HAS EVER EARNED FROM COFFEE, EVEN AT THE CURRENT TEMPORARY HIGH LEVEL OF COFFEE PRICES. HE STATES THAT THE BUAXITE DEPOSITS OF THE SAN ISIDRO DE GENERAL VALLEY, AS ASSESSED BY ALCOA, CONTAIN 80 MILLION TONS OF BAUXITE.

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PAGE 02 SAN JO 02903 231439Z

WITH A 32 PERCENT CONTENT OF ALUMINA, THESE DEPOSITS WOULD YIELD 25.6 MILLION TONS OF ALUMINA WHICH IN TURN WOULD YIELD 12.8 MILLION TONS OF ALUMINUM METAL. AT A VALUE OF \$1,200 PER TON, THE TOTAL DEPOSIT WOULD BE WORTH \$16,360 MILLION WHICH, OVER 50 YEARS, WOULD AMOUNT TO \$337.2 MILLION PER YEAR.

3. ANOTHER IMPORTANT ADVANTAGE OF COSTA RICA AS AN ALUMINUM PRODUCING COUNTRY, ACCORDING TO QUIROS, WOULD BE THAT COSTA RICA WOULD BE THE FIRST PRODUCER ON THIS CONTINENT, AND ALMOST IN ALL THE WORLD, THAT WOULD BE ABLE TO UNDERTAKE IN THE SAME AREA THE THREE PHASES OF ALUMINUM PRODUCTION: MINING OF BAUXITE; PRODUCTION OF ALUMINA; AND PRODUCTION OF ALUMINUM. QUIROS EXPRESSED HIS OPPOSITION TO EXPORT OF BAUXITE BECAUSE IT WOULD REPRESENT A SHIPPING BURDEN SEVEN TIMES GREATER THAN THE METAL, WOULD CONTAMINATE HIGHWAYS, PORTS, AND WOULD REPRESENT AN ECONOMIC LOSS TO THE COUNTRY AS COMPARED TO PROCESSING THE ORE WITHIN COSTA RICA.

4. COMMENT: IT IS NOT CLEAR HOW PRODUCTION OF BAUXITE IN COSTA RICA, IF DECIDED UPON, WOULD AFFECT THE ALCOA-MARTIN MARIETTA ALUMINUM PROJECT. PRESUMABLY IF BAUXITE WERE PRODUCED IN THE COUNTRY, THE PROPOSED ALUMINUM SMELTER WOULD BE EXPECTED TO USE IT. PRESUMABLY THE U.S. COMPANIES WOULD PREFER TO USE BAUXITE FROM THEIR OWN DEPOSITS IN OTHER COUNTRIES, BUT USING COSTA RICAN BAUXITE MIGHT BE ACCEPTABLE TO THEM IF THE PRICE WERE RIGHT. CERTAINLY COSTA RICA WOULD HAVE TO HAVE AN ASSURED MARKET FOR THE BAUXITE BEFORE DECIDING TO DEVELOP IT.

5. FINANCING TO DEVELOP BAUXITE IN COSTA RICA WOULD BE A PROBLEM UNLESS THE OF THE LARGE NATIONAL ALUMINUM COMPANIES WERE INTERESTED IN PARTICIPATING. AS FAR AS THE EMBASSY LIMITED OFFICIAL USE

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PAGE 03 SAN JO 02903 231439Z

KNOWS, RUMANIA HAS NOT GIVEN ANY INDICATION THAT IT WOULD FINANCE DEVELOPMENT OF BAUXITE DEPOSITS IN COSTA RICA; IT IS ONLY DOING THE FEASIBILITY STUDY. AMBASSADOR QUIROS SEEMS TO ENVISAGE A GOVERNMENT-OWNED COMPANY, BUT IT IS NOT CLEAR WHERE SUCH A COMPANY WOULD BE ABLE TO BORROW SUFFICIENT FUNDS FOR THE PROJECT. END COMMENT.
KILDAY

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